

Amendment No. 2 to SB0875

McNally
Signature of Sponsor

AMEND Senate Bill No. 875*

House Bill No. 724

by deleting all language after the enacting clause and by substituting instead the following:

SECTION 1. Tennessee Code Annotated, Section 9-21-105(4)(A), is amended by inserting the following as a new subdivision:

(iv) Pension benefits for past service of employees of a local government whose pension benefits arise from a defined benefit plan administered by the local government;

SECTION 2. Tennessee Code Annotated, Section 9-21-105(4)(A)(ii), is amended by deleting the language “or” after the semi-colon at the end of the subdivision.

SECTION 3. Tennessee Code Annotated, Section 9-21-105(4)(A)(iii), is amended by adding the language “or” after the semi-colon at the end of the subdivision.

SECTION 4. Tennessee Code Annotated, Section 9-21-105(4) is amended by inserting the following as a new subdivision:

(D) Subdivision (4)(A)(iv) shall cease to be effective on July 1, 2015; provided, that no bonds issued pursuant to this subdivision (4) prior to July 1, 2015, shall be rendered ineffectual;

SECTION 5. Tennessee Code Annotated, Section 9-21-127, is amended by inserting the following after the first sentence:

A local government that issues bonds for certain unfunded pension obligations pursuant to § 9-21-105(4)(A)(iv) shall not be required to receive a recommendation by the comptroller of the treasury or the comptroller’s designee or the approval of the state funding board if (A) the principal amount of the bonds is amortized over the term of the bonds such that the bonds are not balloon indebtedness (as defined below) and (B) the

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local government has (i) adopted a debt management policy in compliance with guidelines promulgated by the state funding board; (ii) available for public inspection its financial statements prepared in compliance with generally accepted accounting principles for state and local governments with an unqualified auditor's opinion for the two most recent fiscal years; (iii) presented to its governing body at a public hearing an explanation of the risk exposure associated with such bonds, economic and demographic assumptions used in the funding assumptions, alternative funding options considered, issuance costs associated with the proposed bonds and any conflicts of interest among the professionals involved (if disclosing such conflicts would not violate any rules of professional conduct); (iv) engaged or will engage a financial advisor, bond counsel and actuarial consultant in connection with the issuance of such bonds; (v) a full-time finance staff of at least three (3) persons; (vi) an audit committee; and (vii) a general obligation rating of at least Aa1 (or its equivalent) from one or more nationally recognized rating agencies. As used herein, the term "balloon indebtedness" shall mean any bond (A) twenty percent (20%) or more of the principal amount of which is payable during any twelve-month period or (B) fifty percent (50%) or more of the principal amount of which is payable in the aggregate twenty (20) years or more after the date of issuance.

SECTION 6. This act shall take effect upon becoming law, the public welfare requiring it.